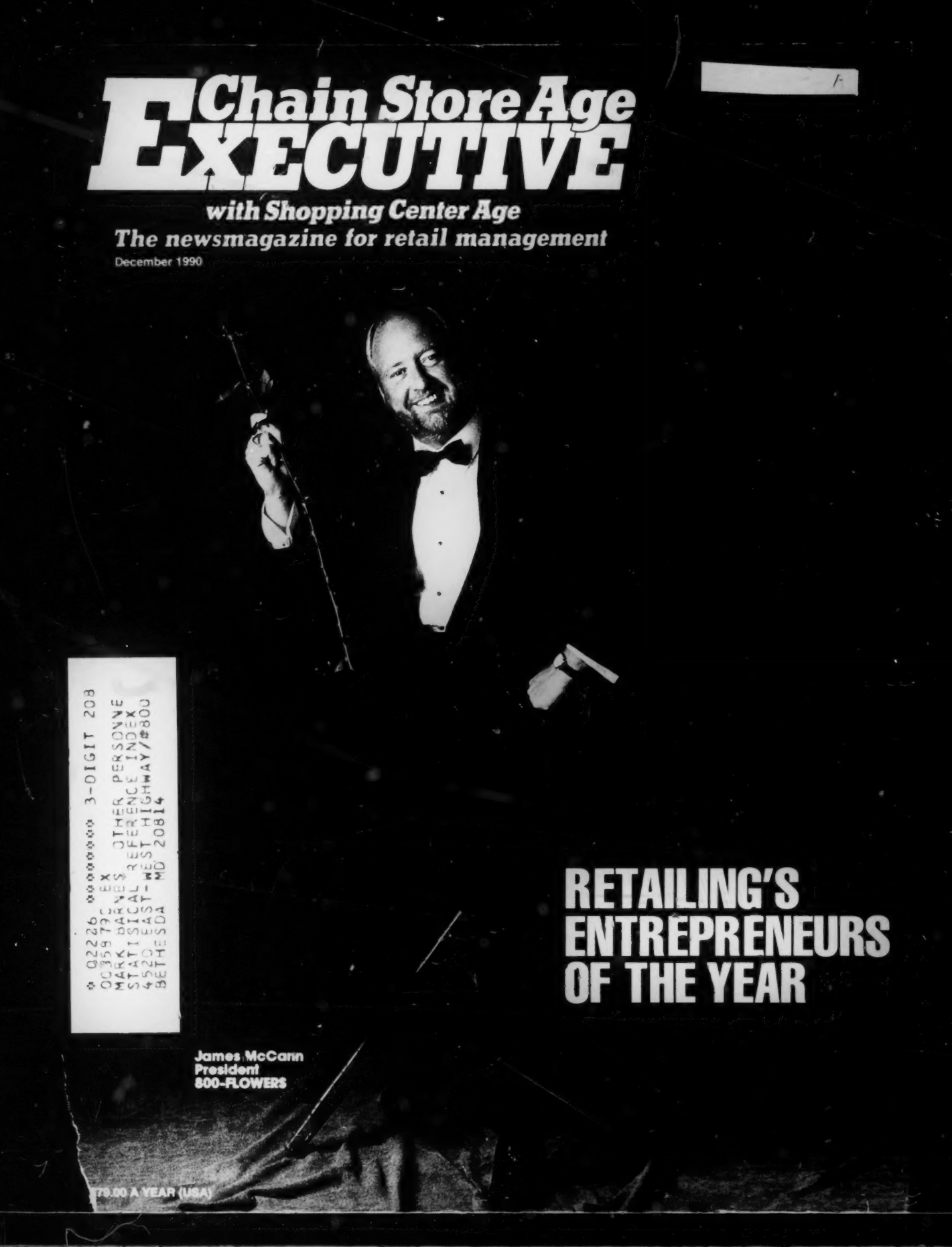
Chain Store Age EXECUTIVE

with Shopping Center Age

The newsmagazine for retail management

December 1990



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RETAILING'S ENTREPRENEURS OF THE YEAR

James McCann
President
800-FLOWERS

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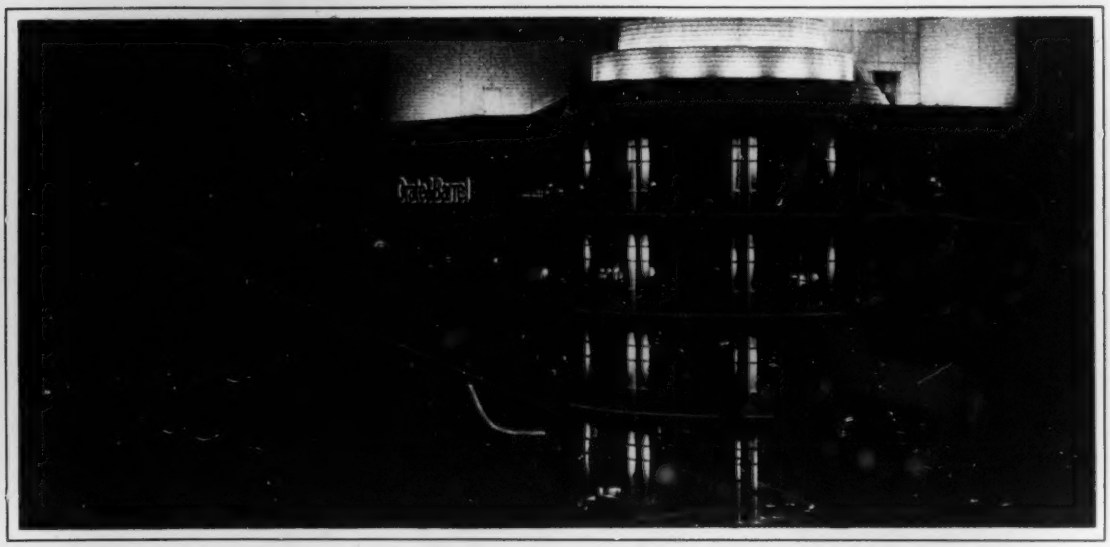
CONTENTS



FORM MEETS FUNCTION IN CHICAGO

Crate & Barrel's new flagship store is a showcase for the retailer's distinct brand of home furnishings. The 45,000 sq. ft., four-level store is highlighted by a glass-enclosed, skylit escalator rotunda—the architectural feature most people will remember about the store. 114

DEPARTMENTS

Cover Story: Retailing's Entrepreneurs of the Year provide varied glimpses of success with one common denominator—dedication to customer service and satisfaction. 34

Construction: The economy may be flagging, but *Chain Store Age Executive's* annual Big Builders survey found that well-conceptualized and capitalized companies are still investing mightily in the future. 105

Retail Watch: Major changes at Wal-Mart's original Hypermart USA store in Garland, Tex., make it one of the more spectacular price-impression stores in the world. 117

Roofing: Single-ply vinyl roofing cuts labor and maintenance costs at Pier 1 Imports' distribution centers while reducing insurance premiums. 118

Executive Forum: Proper components assembled in an acceptable manner are required for roofing installations to be successful. . . . 120

Credit: Market share and visibility are the forces behind the current credit card marketing war. 123

Finance: Declines in same-store sales resulted from a continuing tightening of consumer spending in October. 130

RETAIL TECHNOLOGY

Hallmark, now embarked on a heavy program of construction and renovation, has solicited the assistance of an architectural firm that makes extensive use of CADD. 83

Strawbridge & Clothier has found it's no trick to implement price look-up. The hard part is getting the discipline and compliance that allows the technology to succeed. 86

RT Forum: Technology is shaping the future of specialty stores. . . 90

Technically Speaking 96

New Products 97

On Line 101

SHOPPING CENTER AGE

Northern New Jersey and Northeast Pennsylvania developers are concentrating on renovation with new building almost at a standstill. 69

Englewood's Palisades Court may be the prototype for downtown development. 70

Bridgewater Commons combines education and environmental concerns with a new nature walk. . 74

On the Level 76

Shopping Center Age News . . . 77

Development Activity 78

On Center 79

From the Editor's Desk 10

Updates 14

Perspectives 19

New Products 128

Advertising Index 132

BIG BUILDERS RELY ON CONCEPT AND CAPITAL

SUPERMARKETS AND SPECIALTY STORES DOMINATE GROWTH LISTS

If there is one lesson to be learned from this year's Big Builders survey it is that well capitalized and conceptualized companies continue to expand even as the economy contracts. In every retail sector, growth is endemic among chains that have strong balance sheets and strategies that meet consumer needs.

This fact is amply demonstrated by Home Depot and May Department Stores. While most of the home center industry struggles just to remain even with last year, Home Depot forges on. It is among the leaders in new square footage opened this year and in capital expenditures.

May, too, is the premier mover in the department store sector, though most of its store growth comes from its Volume Shoe specialty store division.

With rare exception, the companies sharing the honors as the leading 25 retailers in new stores opened, square footage added and capital expenditures all recorded positive comparisons to a year ago.

Anemic chains, like Ames and Revco, have been forced to pare their store numbers while they struggle to emerge from bankruptcy.

Lion's share: As could be expected, specialty stores captured the lion's share of mentions on the list of companies that opened new stores during 1990.

And they are poised for even more growth in the early part of the last decade of the 20th century.

Take The Limited, for example. This year the Columbus, Ohio-based mixture of specialty concepts will open 292 storefronts. Yet that is just window dressing for what master impresario Leslie Wexner, chairman, plans for the early part of the 1990s.

Capitalizing on the new trend toward natural ingredients in health and beauty aids and cosmetics, Wexner plans to open 500 freestanding Bath and Body Works stores by the mid-90s, producing a whopping $200 million in sales.

Capital Expenditures

	1990 (000)	1989 (000)
1. Wal-Mart	$1,500,000	$954,502
2. Kmart	800,000	600,000
3. May	715,000	700,000
4. Dayton Hudson	700,000	622,000
5. Sears	561,000	319,000
6. J. C. Penney	500,000	519,000
6. Safeway	500,000	375,000
8. Limited	425,000	318,400
9. Toys "R" Us	371,851	327,810
10. American	368,000	552,000
11. Woolworth	365,000	300,000
12. Albertsons	275,000	303,000
12. A&P	275,000	200,000
14. Melville	235,000	202,600
15. Blockbuster Video	225,000	203,997
16. Food Lion	210,000	147,800
17. Walgreen	200,000	120,000
17. Home Depot	200,000	250,000
17. Dillard	200,000	180,544
17. Price Co.	200,000	160,195
21. Federated	193,700	130,200
22. The Gap	190,000	94,266
23. Kroger	170,000	145,000
24. U.S. Shoe	159,000	70,200
25. Publix	150,000	159,600

Source: *Chain Store Age Executive* research

New Square Footage

	1990	1989
1. Wal-Mart	21,254,000	16,119,000
2. Kmart	10,000,000	8,000,000
3. Dayton Hudson	4,630,000	6,540,000
4. Phar-Mor	4,200,000	2,600,000
5. May	3,445,000	1,820,000
6. Safeway	3,444,000	1,623,600
7. Food Lion	3,000,000	2,631,000
8. Home Depot	2,980,000	2,200,000
9. Woolworth	2,959,000	2,014,000
10. Melville	2,753,000	3,155,700
11. Limited	2,750,000	1,468,000
12. Toys "R" Us	2,702,000	2,702,000
13. Blockbuster Video	2,353,000	2,975,500
14. J. C. Penney	2,168,000	4,000,000
15. Waban	1,700,000	1,300,000
16. A&P	1,650,000	760,000
17. Walgreen	1,500,000	900,000
18. Lowes	1,200,000	1,200,000
19. American	1,040,000	2,560,000
20. Circuit City	1,020,000	870,000
21. Sears	1,000,000	1,400,000
22. Hechinger	1,000,000	1,000,000
23. Albertsons	970,000	1,535,000
24. Fred Meyer	965,000	940,000
25. Montgomery Ward	950,000	387,000

Source: *Chain Store Age Executive* research

New Stores		
	1990	1989
1. Woolworth	825	747
2. Blockbuster Video	446	564
3. Melville	435	579
4. Edison	300	115
5. Limited	292	201
6. May	266	158
7. Kmart	259	191
8. The Gap	230	98
9. Wal-Mart	201	161
10. Sears	195	211
11. U.S. Shoe	174	178
12. Claire's	150	198
13. Rite Aid	120	168
14. Food Lion	110	96
15. Walgreen	104	89
16. Petrie	100	67
17. Toys "R" Us	80	71
18. Phar-Mor	71	41
19. Safeway	70	33
20. Eckerd	50	50
21. Tandy	48	6
22. Winn-Dixie	42	61
23. A&P	41	24
23. J. C. Penney	41	67
25. Albertsons	32	36

Source: *Chain Store Age Executive research*

Fashioned after England's successful Body Shop, Wexner's version, using a slightly paler green background motif, should have 27 stores open by year's end.

With the financial resources to fund the growth, and the leverage with shopping center developers to place his Bath and Body Works units in desirable locations, Wexner is in a strong position to pre-empt The Body Shop or any other facsimile chain. As long as he remains true to the concept and executes it properly, The Limited should become the leader in the field.

Attention to detail has been a Wexner trademark, also evident in his development of Henri Bendel. Though he acquired the tony property in 1985 with the intention of expanding it, Wexner gave his assent to new units only this year.

Three units—in Chicago, Chestnut Hill, Mass., and Columbus, Ohio—were added to the New York store. While no new markets are planned for several years, Wexner projects that the Bendel division will gross $200 million annually by the middle of the decade and will become "the dominant upscale women's retailer in the U.S."

Carving out specialty niches from existing concepts has been another Wexner hallmark. When he acquired Victoria's Secret it was just a lingerie catalog. He exploited the mail order business by opening stores.

Now, he is adding Victoria's Secret bath shops. By year's end there will be 122 units in the division which, he forecasts, will have 500 stores by 1996 doing $300 million in sales.

Other niche concept plans for mid-decade are 150 Lingerie Cacique, $150 million; Limited, Too, children's wear stores, $350 million; Structure men's wear stores, $500 million, and Abercrombie & Fitch, $300 million.

Not all the action is confined to traditional specialty stores.

Still in the general merchandise store field, Montgomery Ward has overcome its malaise of the 1980s to become a more significant player.

It has embraced the specialty store concept as well, and so far to good effect. It recorded the highest net income in its history last year, exceeding $140 million.

Ward will open 17 stores this year, part of a projected 53 units the Chicago-based retailer expects to showcase during the next year and a half. In early November alone, Ward unveiled six full-line specialty stores and three remodels.

SUPERMARKETS New Stores		
	1990	1989
1. Food Lion	110	96
2. Safeway Stores	70	33
3. Winn-Dixie Stores	42	61
4. A&P	41	24
5. Albertsons	32	36
6. Kroger	30	26
7. American Stores	26	64
8. Bruno's	20	15
9. Publix Super Markets	15	20
10. Ralphs Grocery	14	10

Source: *Chain Store Age Executive research*

SUPERMARKETS Capital Expenditures (000 omitted)		
	1990	1989
1. Safeway Stores	$500,000	$375,000
2. American Stores	368,000	552,000
3. Albertsons	275,000	303,400
4. A&P	275,000	200,000
5. Food Lion	210,000	147,800
6. Kroger	170,000	145,000
7. Publix Super Markets	150,000	159,600
8. Supermarkets General Holdings	132,100	135,200
9. Giant Food	115,000	200,000
10. Stop & Shop	115,000	118,000

Source: *Chain Store Age Executive research*

SUPERMARKETS New Square Footage		
	1990	1989
1. Safeway Stores	3,444,000	1,623,600
2. Food Lion	3,000,000	2,631,000
3. A&P	1,650,000	760,000
4. American Stores	1,040,000	2,560,000
5. Albertsons	970,000	1,535,000
6. Fred Meyer	965,000	940,000
7. Bruno's	900,000	700,000
8. Kroger	820,000	680,000
9. Publix Super Markets	600,000	800,000
10. Winn-Dixie Stores	500,000	700,000

Source: *Chain Store Age Executive research*

DISCOUNT STORES
New Stores

	1990	1989
1. Wal-Mart	201	161
2. Kmart	93	70
3. Target	23	60
4. Jamesway	8	10
5. Hills	6	41
6. Caldor	5	1
7. Venture	4	2
8. Fred Meyer	3	4
9. Bradlees	2	1

Source: *Chain Store Age Executive* research

DISCOUNT STORES
Capital Expenditures

	1990 (000)	1989 (000)
1. Wal-Mart	$1,500,000	$954,602,000
2. Kmart	800,000	600,000
3. Target	N/A	414,000
4. Fred Meyer	115,000	135,000
5. Hills	15,000	9,400

N/A Not available

Source: *Chain Store Age Executive* research

DISCOUNT STORES
Square Footage Added

	1990	1989
1. Wal-Mart	21,254,000	16,119,000
2. Kmart	7,900,000	5,900,000
3. Target	3,700,000	5,900,000
4. Fred Meyer	748,000	561,000
5. Hills	480,000	3,280,000
6. Jamesway	440,000	588,000
7. Bradlees	100,000	50,000
8. Venture	400,000	200,000
9. Caldor	450,000	70,000
10. Rose's Stores	90,000	645,000

Source: *Chain Store Age Executive* research

SPECIALTY STORES
New Stores

	1990	1989
1. Woolworth Specialty	880	731
2. Blockbuster Video	445	564
3. Melville Specialty	370	519
4. Edison Bros.	300	115
5. Limited	292	291
6. Volume Shoe	245	144
7. The Gap	230	96
8. U.S. Shoe	174	178
9. Claire's	150	198
10. Petrie	100	67

Source: *Chain Store Age Executive* research

SPECIALTY STORES
Capital Expenditures

	1990 (000 omitted)	1989 (000 omitted)
1. Limited	$425,000	$318,400
2. Toys "R" Us	371,851	327,010
3. Melville	235,000	282,000
4. Blockbuster Video	225,000	203,997
5. Woolworth Specialty	199,000	157,000
6. The Gap	190,000	94,266
7. U.S. Shoe	139,000	76,000
8. Tandy	112,500	122,497
9. Circuit City	110,000	81,000
10. Mervyn's	105,000	133,000

Source: *Chain Store Age Executive* research

SPECIALTY STORES
New Square Footage

	1990	1989
1. Limited	2,750,000	1,900,000
2. Toys "R" Us	2,702,000	2,702,000
3. Blockbuster Video	2,363,000	2,975,000
4. Woolworth Specialty	2,202,000	1,729,000
5. Melville	2,170,100	2,543,100
6. Circuit City	1,020,000	870,000
7. U.S. Shoe	696,100	427,000
8. Pep Boys	880,000	924,000
9. Volume Shoe	750,000	420,000
10. Mervyn's	554,000	710,000

Source: *Chain Store Age Executive* research

DRUG STORES
New Stores

	1990	1989
1. Rite Aid	120	168
2. Walgreen	104	89
3. Phar-Mor	71	41
4. CVS	60	68
5. Eckerd	50	50
6. Pay Less Drug Stores NW	33	32
7. Thrifty	26	31
8. Thrift Drug	21	29
9. Drug Emporium	20	11
10. Arbor Drug	12	7
11. American Drug Stores	12	15

Source: *Chain Store Age Executive* research

HOME CENTERS
New Stores

	1990	1989
1. Home Depot	32	22
2. Hechinger	15	15
3. HomeClub	12	12
4. Builders Square	10	9
5. Lowe's	5	10
6. Menard's	5	5
7. Scotty's	5	5
8. Pergament	4	4
9. Wolahan Lumber	4	3
10. Lanoga	4	2

Source: *Chain Store Age Executive* research

DRUG STORES
New Square Footage

	1990	1989
1. Phar-Mor	4,200,000	2,600,000
2. Walgreen	1,500,000	900,000
3. Pay Less Drug Stores NW	963,600	934,400
4. Rite Aid	804,000	1,100,000
5. Drug Emporium	500,000	275,000
6. CVS	468,000	530,400
7. Eckerd	450,000	450,000
8. Thrifty	424,000	500,000
9. Longs	264,000	288,000
10. American Drug Stores	240,000	300,000

Source: *Chain Store Age Executive* research

HOME CENTERS
New Square Footage

	1990	1989
1. Home Depot	2,800,000	1,900,000
2. HomeClub	1,200,000	1,200,000
3. Hechinger	1,000,000	1,000,000
4. Builders Square	800,000	720,000
5. Menard's	350,000	350,000
6. Scotty's	250,000	245,000
7. Pergament	240,000	160,000
8. West Building Materials	135,000	—
9. The Andersons	120,000	—
10. Lowe's	102,000	171,000

Source: *Chain Store Age Executive* research

During the past four years Ward has opened more than 50 new stores, predominantly units that feature its value-driven specialty concepts: Electric Avenue, Home Ideas, The Apparel Store and Auto Express.

It is easy to understand why specialty stores receive the most attention when one studies the three overall Big Builder charts.

Specialty stores comprise nearly half of all companies listed in the new stores added chart. They account for nearly one-third of the companies that significantly added to their square footage. More than one-quarter of the chains with the largest capital expenditures are specialty stores.

By comparison, mass merchants, companies like Wal-Mart, Sears, Kmart, and Dayton Hudson, are but 16% of the total on all three charts.

And once traditional mass merchants, like Woolworth, now are driven by their specialty units. Of the 747 stores Woolworth opened last year, 731 were specialty stores.

Yet a closer perusal of the charts reveals that supermarkets are even more dominant than specialty stores. While they trailed the specialists in new store openings with just 20% of the companies charted, supermarkets were tops in square footage added (37%) and capital expenditures (32%). ■

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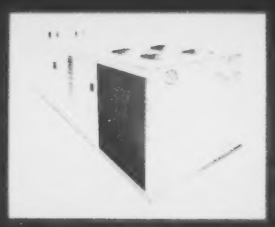

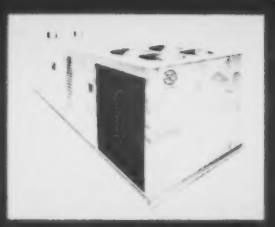

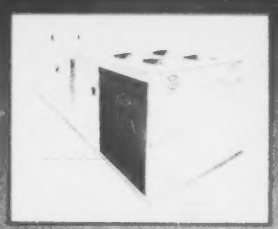

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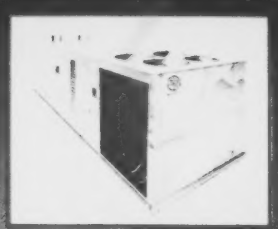

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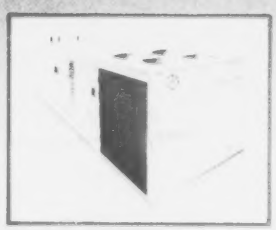
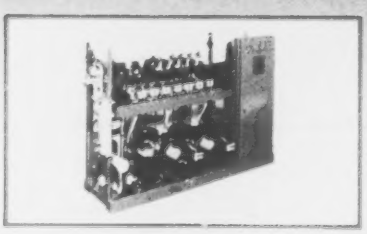
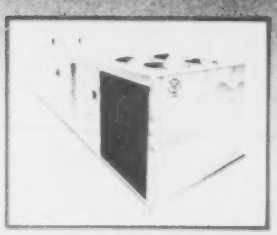


Humid Climate Systems



Refrigeration Systems



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RETAILERS CONTINUE TO FEEL THE SQUEEZE

SAME-STORE SALES OFF FOR ALL BUT A FEW

The nation's largest retailers continued to see the impact of tightened consumer spending in October, with most reporting a decline in same-store sales.

The results indicate consumers are postponing purchases as they warily eye the faltering economy and the uncertain future in the Persian Gulf.

To analysts, this means the already gloomy outlook for the Christmas shopping season may be even dimmer.

Among retailers posting same-store declines for October were Sears, May, Neiman-Marcus, J. C. Penney and Carter Hawley Hale.

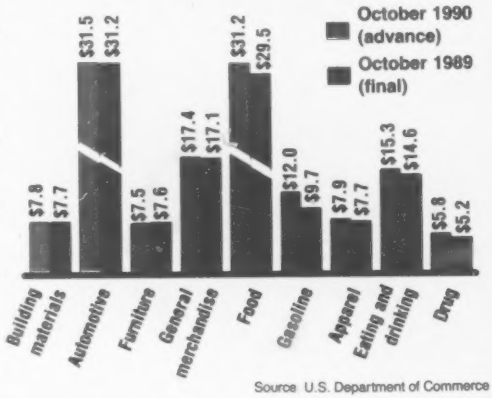
On the other hand, several retailers went against the trend and posted strong gains, including Wal-Mart, Dayton Hudson, Gottschalk's, The Gap and Merry-Go-Round.

Jeffrey Feiner, an analyst with Merrill Lynch, says the poor October sales, coming on the heels of lackluster August and September results, "reflect a recessionary psychology" among consumers.

Feiner says this is not likely to be changed substantially in time for the all-important Christmas season.

OCTOBER SALES

(Seasonally adjusted, figures in billions)



Source: U.S. Department of Commerce

CHAIN PERFORMANCE

Company	October '90 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	$2,552,272	– 1.2	– 0.4	$24,381,540	+ 2.5	+ 2.7
Kmart	2,342,226	+11.2	+ 1.3	22,322,139	+11.8	+ 2.3
Wal-Mart	2,729,000	+25.0	+10.0	22,242,656	+26.0	+11.0
Penney	1,391,000	– 4.3	– 5.8	11,105,000	+ 2.4	+ 1.1
Dayton Hudson	1,130,000	+16.7	+ 4.1	9,700,000	+13.8	+ 4.7
May	708,600	+ 1.1	– 4.4	6,751,400	+ 8.2	+ 3.2
Melville[1]	689,996	+21.9	N/R	6,449,002	+12.7	N/R
Walgreen[1]	520,840	+12.9	+ 9.3	4,971,847	+12.0	+ 7.6
Woolworth	375,000	+ 4.2	+ 1.0	3,855,000	+ 7.7	+ 4.2
The Limited	380,000	+13.0	– 1.0	3,510,000	+17.0	+ 5.0
Carter Hawley Hale	212,000	+ 1.7	– 0.1	1,880,200	+ 0.6	N/C
Mercantile	186,264	+ 6.7	+ 4.0	1,591,320	+ 2.1	+ 0.8
Circuit City[2]	173,000	+10.0	– 7.0	1,408,500	+17.6	N/R
Hills	178,800	+10.6	+ 6.0	1,467,200	+ 8.3	+ 4.7
The Gap	155,000	+24.0	+14.0	1,309,000	+24.0	+16.0
Rose's	102,071	– 3.7	– 3.2	1,051,255	+ 3.1	+ 1.3
Neiman-Marcus Group[3]	136,100	+ 4.9	– 1.0	426,000	+ 4.5	– 1.9
Edison Bros.[1]	92,800	+21.5	N/R	831,700	+16.9	N/R
Jamesway	71,297	+ 2.0	– 4.0	621,161	+ 9.0	+ 4.0
Ross	52,000	+ 2.0	– 9.0	551,000	+ 7.0	– 4.0
Dollar General	54,000	+12.4	+ 7.7	447,400	+ 6.5	+ 1.9
Best Buy[4]	47,000	+27.0	N/C	384,000	+27.0	N/A
Gottschalks	21,400	+32.0	+13.8	179,300	+25.1	+11.6
Claire's	17,900	+48.0	+ 7.0	166,780	+47.0	+12.0

[1]fiscal year ends Dec. 31 [2]fiscal year ends Feb. 28 [3]fiscal year ends July 31 [4]fiscal year ends Mar. 31
N/R = not reported N/C = no change
Source: Company reports

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